

DEPUTY UNDER SECRETARY OF STATE
FOR ADMINISTRATION
WASHINGTON -

STAT

January 30, 1970

Dear Mr. Chairman:

In accordance with the request made by Senator Williams and others on January 21, 1970, there is enclosed a chart comparing the principal provisions of the Civil Service and Foreign Service retirement systems and showing the changes that would be made by H.R. 14789. The requested information about FBI, CIA and military retirement benefits is discussed in this letter.

In summary, the main differences between the Foreign Service and Civil Service retirement systems are the provisions for earlier Foreign Service retirement and the slightly more liberal Foreign Service annuity computation formula. Voluntary retirement from the Foreign Service can occur with permission of the Secretary at age 50 after 20 years of service. Foreign Service annuities are computed at a straight 2 percent times years of service. These same features are also the distinguishing characteristics of retirement benefits for eligible FBI and CIA personnel.

A special provision of the Civil Service retirement law applies to FBI agents and certain other law enforcement personnel. They may retire with permission of the agency head at age 50 after 20 years of law enforcement and use a 2 percent computation factor for all years of service. Similarly, the CIA retirement system, first established in 1964, authorizes retirement with permission of the Director at age 50 after 20 years of service and authorizes a 2 percent computation factor.

The Honorable

J. W. Fulbright, Chairman,
Committee on Foreign Relations,
United States Senate.

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Also, the mandatory retirement age is 60 for most personnel under the CIA system as it is under the Foreign Service system. However, law enforcement personnel under the Civil Service retirement system are subject to the Civil Service age 70 mandatory retirement provision.

The military retirement systems have been in existence much longer than the civilian retirement systems and are quite distinct. There is no formal contribution made by military personnel; the systems are unfunded. Officers may retire on immediate annuities after 20 years' service if they have been commissioned 10 years; otherwise, after 30 years. Retired pay is computed at $2\frac{1}{2}$ percent of the highest basic pay rate times years of service with a maximum of 75 percent of such pay.

Public Law 91-185, approved by the Senate on December 22, 1969 and signed into law on December 30, 1969, makes the same changes in CIA retirement benefits as those approved for the Civil Service on October 20, 1969 under PL 91-93, i.e. it authorizes use of the "high 3" average salary, unused sick leave credit, survivorship changes and incorporation of the "1 percent add on" feature in the cost of living adjustment formula. H.R. 14789 would provide these identical benefits for the Foreign Service retirement system. In addition, H.R. 14789 would substitute the complete Civil Service cost-of-living adjustment formula for the present Foreign Service formula. This same change in formula was made in the Civil Service and military retirement systems in 1965 and in the CIA retirement system in 1968.

As I explained in my statement before the Committee on December 19, 1969, H.R. 14789 would extend to the Foreign Service no benefits which are not already authorized for the Civil Service. The benefit changes that are provided are in areas where, heretofore, benefits have been identical among the Civil Service, Foreign Service and CIA systems. H.R. 14789 would make the necessary changes to keep the benefits in these areas identical in the interest of simple equity.

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The Department sincerely appreciates your consideration of H.R. 14789 so early in this session. I urge favorable action by your Committee at the earliest possible date. Please let me know if there is anything else we can do to assist you on this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "William B. Macomber, Jr.", written in a cursive style.

William B. Macomber, Jr.

Enclosure:
Chart.

January 30, 1970

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Comparison of Principal Provisions
of the
Civil Service and Foreign Service
Retirement Systems

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Principal Provisions of the Civil Service and Foreign Service Retirement Systems and Proposed Amendments to the Latter Contained in H.R. 14789

Provision	Civil Service ^{1/}	Foreign Service ^{2/}	Foreign Service Changes Under H.R. 14789
Participants	All Federal and D.C. Government employees except certain temporary and intermittent employees and employees subject to another retirement system. (Covers approximately 70% of American employees of State Department and U.S. Information Agency who are not eligible for Foreign Service retirement.)	All Foreign Service officers, Foreign Service Information officers and Foreign Service Reserve officers in State Department and U.S. Information Agency with unlimited tenure; certain Foreign Service Staff officers and employees with 10 years' continuous service in the Foreign Service either in Department of State or U.S. Information Agency; and non-career Presidential (political) appointees who have served in chief of mission positions for 20 years or more. (Covers approximately 30% of American employees of State Department and U.S. Information Agency.)	No change.

/ Basic authority: Subchapter III, Chapter 83, Title 5, U.S. Code. Provisions applicable only to certain low-salaried personnel or to special groups, such as Members and employees of Congress and law enforcement personnel, have been omitted from the chart.

/ Basic authority: Part D of Title VI and Title VIII, Foreign Service Act of 1946, as amended, and the Act of August 20, 1968, Public Law 90-494.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
Creditable Service			
a. Civilian	All Federal (including Foreign Service) and D.C. Government service is creditable. If service is credited for which retirement deductions were not made or deposited, annuity is reduced by 10% of amount owed.	All Federal (including Civil Service) and D.C. Government service for which full contributions have been made is creditable. Service at unhealthful posts for which hardship differential is not elected is creditable at time and one-half. Chiefs of mission (except for the Amb. to Viet-Nam) are not eligible for the hardship differential. Other employees may, and usually do elect to receive a hardship differential--where one is authorized--under 5 U.S.C. 5925 rather than the extra service credit.	No change.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
b. Military	Credits without employee deposit all honorable active service 1) in the Armed Forces, 2) in the regular or reserve corps of the Public Health Service after June 30, 1960, and 3) as a commissioned officer in the Environmental Science Services Administration after June 30, 1961 for which, with certain exceptions, ^{1/} employee does not receive military retired pay. Annuity is computed, or recomputed, to exclude military service performed after December 1956 at such time as the retiree (or his survivors) becomes eligible for social security benefits.	Credits without employee deposit all honorable active service in the Armed Forces for which, with certain exceptions, ^{1/} employee does not receive military retired pay.	No change.

^{1/} An employee may receive credit for military service for which he is receiving retired pay if the retired pay is awarded--

- 1) on account of a service-connected disability incurred in combat or caused by an instrumentality of war in line of duty during wartime; or
- 2) under chapter 67, title 10, U.S. Code.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
• Annuity Computation ^{1/}	"High 3" average salary is multiplied by the sum of: 1½% times 5 years of service; 1 3/4 percent times years of service between 5 and 10; and 2 percent times years of service over 10. Maximum annuity: 80 percent of "high 3" average salary. ^{2/}	"High 5" average salary is multiplied by 2 percent for all years of service not exceeding 35. Maximum annuity: 70 percent of "high 5" average salary. ^{2/}	Substitutes "high 3" for "high 5" in average salary computation.
• Retirement on Immediate Annuity			
a. Mandatory (Age)	At or after age 70 with at least 15 years' service. President may grant exemption if deemed in public interest. President's authority delegated to Civil Service Commission for non-Presidential appointees.	Generally, at age 60 with age 65 specified for career ministers and career ambassadors. Secretary may grant extension for up to 5 years if in public interest. Career chiefs of mission and other officials appointed by the President with Senate confirmation are exempt from mandatory retirement while so serving.	No change.

/ An annuity for a 30-year career in the Civil Service would equal 56½ percent of average salary and in the Foreign Service, 60 percent of average salary.

/ Sick leave credit described in item 9 may be granted irrespective of 80% Civil Service limitation. The credit sought for the Foreign Service to match this Civil Service benefit would be granted irrespective of the 70% Foreign Service limitation.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
b. Voluntary	At option of employee - with any of the following age and service combinations: age 55 with 30 years; age 60 with 20 years; or age 62 with 5 years.	With permission of the Secretary, at age 50 with 20 years of service. (Certain CIA, FBI and law enforcement personnel similarly may retire at age 50 after 20 years of service with permission of their agency head.)	No change.
c. Involuntary	Involuntary separation for reasons other than misconduct or delinquency at age 50 or over with 20 years of service or at any age after 25 years of service. Annuity is reduced 1/6 of 1 percent for each month employee is under age 55.	Selection-out of a Foreign Service officer, Foreign Service Information officer, or Foreign Service Reserve unlimited officer of class 1, 2 or 3, or failure of an officer to receive a new assignment within 3 months after completing service as a chief of mission.	No change.
d. Disability	An employee disabled in line of duty may elect to receive benefits under the Compensation for Work Injuries provisions in 5 U.S.C. 8101-8150 in lieu of benefits under a Federal retirement system. He may not receive both. Employee compensation benefits are exempt from Federal income taxes.		No change.

Foreign Service
Changes Under
H.R. 14789

Provision

Civil Service

Foreign Service

A minimum of 5 years civilian service is required to qualify for a disability annuity under either the Civil Service or Foreign Service retirement system. Benefits are the same as under voluntary retirement unless a higher benefit is allowable under guaranteed minimum formula which grants lesser of (1) 40 percent of average salary or (2) annuity computed under general formula after adding service from date of separation to age 60.^{1/}

A Civil Service disability annuity continues until recovery or until the annuitant is restored to an earning capacity. Up to \$100 per week of the annuity is exempt from Federal income tax until the annuitant reaches age 55, 60 or 62, depending on length of service.

A Foreign Service disability annuity continues until recovery. It is exempt from Federal income tax under 26 U.S.C. 104(4) as are military retired pay and pensions payable because of personal injuries or sickness resulting from active service in the Armed Forces.

Discontinued Service--

Deferred Annuity

Annuity commences at age 62 for an employee who separates after at least 5 years of civilian service without entitlement to an immediate annuity who elects to leave his contributions in the fund.

Annuity commences at age 60 for an employee who separates after at least 5 years of civilian service without entitlement to an immediate annuity who elects to leave his contributions in the fund.

No change.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
6. Survivor Annuities			
a. Death in Service	Survivors of an employee who dies from a work related cause may elect to receive benefits under the Compensation for Work Injuries provision in 5 U.S.C. 8101-8150 in lieu of benefits under a Federal retirement system. They may not receive both.		
	Minimum civilian service for Civil Service survivor annuity: 18 months. Widow or disabled dependent widower receives 55 percent of employee's disability annuity as described in 4d above.	Minimum civilian service for Foreign Service survivor annuity: 5 years. Widow or disabled dependent widower receives 50 percent of disability annuity computed as described in 4d above except the minimum annual annuity for widows is \$2,400.	Reduces minimum service requirement from 5 years to 18 months.
	Each child under age 18 (or under age 22 if full-time student) receives the smallest of (1) 60 percent of average salary divided by number of children, (2) \$900, or (3) \$2,700 divided by number of children. If no surviving spouse, each such child receives instead, the smallest of (1) 75 percent of employee's average salary divided by	Each child under age 18 receives the smallest of (1) 40 percent of employee's average salary divided by number of children, (2) \$600, or (3) \$1,800 divided by number of children. If no surviving spouse, each child receives instead, the smallest of (1) 50 percent of employee's average salary divided by number of children, (2) \$720, or (3) \$2,160 divided by number of children.	Substitutes the higher Civil Service children's amounts. The first alternate method of computing children's annuities which uses a percentage of the employee's salary is being dropped because the minimum Foreign Service salary is above the level where this alternative would be used.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
	number of children, (2) \$1080, or (3) \$3,240 divided by number of children.		
b. Death after Retirement	Widow or widower, if named at retirement, receives 55 percent of amount of employee's annuity elected as survivor base. Re- tiree's annuity re- duced by 2½ percent of first \$3600 plus 10 percent of amount over \$3600 of sum elected as base for survivor annuity.	Widower, if named at retire- ment, receives 50 percent of the amount of the annuity elected as survivor base. Re- tiree's annuity reduced by 2½ percent of first \$2400 plus 10% of amount over \$2400 of sum elected as base for sur- vivor annuity. A married male employee at retirement is required to accept, at a minimum, a \$300 annual reduction in annuity to provide a \$2400 survivor annuity for his wife. A larger amount may be elected if possible under the above form- ula.	No change.
	Children's annuities are automatic following death of of an annuitant. The age requirements and amounts are the same as described above under item 6a.		Changes amounts of children's annuities as described in item 6a, above.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
7. Severance Pay ^{1/}	Up to one year's salary depending on age and length of service payable for one or more periods of involuntary separation (other than by selection-out) without entitlement to an immediate annuity. ^{2/}		No change.
8. Selection-out Pay	None.	One-twelfth of a year's salary for each year of service up to a maximum of one year's salary payable to an officer selected out without entitlement to an immediate annuity. ^{2/}	No. change.
9. Sick Leave Credit	Credit for unused sick leave added to earned service credit in the computation of immediate annuities or survivor annuities after death in service. Unused sick leave may not be counted in determining retirement eligibility or for computing the "high 3" average salary.	None.	Credits unused sick leave as under the Civil Service system.

^{1/} Enacted as a separate statute in 1965. Now contained in 5 USC 5595.

^{2/} In addition, those with at least 5 years of civilian service may elect a deferred annuity as described in item 5.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
10. Cost of Living Adjustment	Annuities are increased whenever the price index rises to a level 3 percent or more above the level for the month last used to make an adjustment and holds at or above that level for 3 consecutive months. The adjustment is equal to 1 percent plus the percentage rise in the price index. Increases are effective on the first of the third month following the 3 consecutive months and are payable to all on the annuity roll on that date.	Annuities are increased whenever the average level of the price index for a calendar year exceeds the average level for a previous calendar year by 3 percent or more. The amount of the increase is equal to the rise in the price index between the two calendar years and is payable April 1 following the year which triggered the increase to all those who have been on the annuity roll for 15 months or more on that date.	Substitutes the Civil Service formula for the Foreign Service formula. The bill provides for the transition from the calendar year to the 3 month formula in the same manner that this change was made for the civil service. The transition would be made by providing an increase to all annuitants based upon the difference between the average level of the price index for the calendar year forming the base for the last Foreign Service increase (currently 1968) and the price index for the month last published on the date of enactment of this bill. Annuitants would receive this percentage plus 1 percent to make up for the

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Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
			<p>additional 1 percent received by civil service annuitants on November 1, 1969. This increase would be payable to all annuitants on the roll on the first day of the third month which begins after enactment. The average level of the price index for 1968 is 121.2. The level for December 1969, the most recent month, stands at 131.3. The percentage difference between these two figures is 8.3 percent to which is added the 1 percent for a total increase of 9.3 percent. Thus, if this bill is enacted prior to April 1, 1970, the transition increase will be slightly more than 9 percent. The exact amount will depend upon the level of the price index</p>

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
			last published on the date of enactment. If this bill is not enacted until after April 1, 1970, the transition increase will be reduced by 5.4 percent, the amount that will be paid on that date to certain Foreign Service annuitants under present law.
11. Reemployment of Annuitants	Upon reemployment subject to Civil Service retirement system: 1) The annuity of a disability annuitant found recovered or restored to earning capacity and of an annuitant who was separated involuntarily other than for age, misconduct or delinquency, is discontinued, Civil Service retirement contributions are resumed, and annuity is recomputed upon subsequent separation.	A Foreign Service annuitant reemployed in the Federal Service (unless recalled as a Foreign Service officer or Information officer or reappointed in the Foreign Service following recovery from disability) receives all the salary of the position in which he is serving plus so much of his annuity which when combined with such salary does not exceed, during any calendar year, his Foreign Service basic salary rate at time of retirement. ^{1/} If he is reemployed under the Civil Service retirement system, contributions are made to that	No change.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
	2) The annuity of any other reemployed annuitant is continued but his salary is reduced by the amount of the annuity. Supplemental annuity based upon the reemployment service is allowable should such an annuitant serve on a full-time basis continuously for at least one year. His annuity is recomputed if the full-time reemployment continues at least 5 years.	Fund. Annuity is discontinued in case any retired Foreign Service officer or Information officer is recalled to duty or whenever any annuitant is reappointed following recovery from disability. Retirement contributions are resumed and his annuity is recomputed upon subsequent separation. There is no provision for providing supplemental Foreign Service annuities to Foreign Service staff personnel reappointed (other than after recovery from disability) to Foreign Service staff positions.	
2. Financing			
a. Employee and matching agency contribution	7 percent of basic salary.	6½ percent of basic salary.	Substitutes a 7 percent rate.
b. Interest on unfunded liability	Treasury is directed to pay into the retirement fund the amount equivalent to interest on the unfunded liability of the system. Payments would commence in FY 1971 at 10 percent of the full	No provision.	Adopts Civil Service provision.

Provision	Civil Service	Foreign Service	Foreign Service Changes Under H.R. 14789
	amount and would gradually increase to 100 percent in FY 1980 and thereafter.		
c. Reimbursement for Cost of Military Service Credit	Treasury is directed to reimburse the retirement fund each year for the amount of benefits payable in that year which are attributable to military service. Payments will commence in FY 1971 at 10 percent of the full amount and will gradually increase to the full amount in FY 1980 and thereafter.	No provision.	Adopts Civil Service provision.
d. Amortizing Unfunded Liability Created by Future Legislation	Unfunded liability created by future legislation such as pay increases and benefit improvements is to be amortized over 30 years by appropriations to the retirement fund.	No provision.	Adopts Civil Service provision.